

MAY 26 2006

To All Central Valley Project (CVP) Preference Customers:

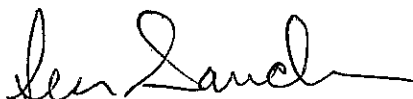
On May 4, 2006, the Western Area Power Administration (Western) sent an email to all customers regarding the Mid-Year Adjustment to the Fiscal Year (FY) 2006 Restoration Fund Payment allocated to the power customers. In this correspondence, Western explained that while Reclamation determined that a mid-year adjustment was not necessary, current collections made by the power customers toward the FY 2006 Restoration Fund were ahead of schedule. Western went on to explain that Western intended to bill the customers for one more month, May 2006 bills, to complete the entire collection requirement.

Since sending out the May 4, 2006, email, Western reviewed the Restoration Fund procedures (67 FR 65974) with respect to the Exchange Program and determined that a slight variation on billing is necessary to comply with the procedures. Western will bill the customers for one more month, but Western intends to do this on the customer's August 2006 bills (not the May bill as previously stated). Western will bill the last FY 2006 Restoration Fund charges to the power customers on or about August 25, 2006. The August 2006 bill will contain each customer's last FY 2006 Restoration Fund charge and a "true up" (a charge or credit) for the customer's participation in the hourly exchange program from August 2005 through July 2006. For those customers who accumulate credits larger than their charge, the credits will be carried over to their bills for FY 2007.

In essence, the customers have no charges for the FY 2006 Restoration Fund for April, May, June, and July 2006. In an effort to minimize administrative costs and to comply with Western financial management policies, Western will not be publishing or sending Restoration bills to the customers for these 4 months.

Should you have any questions regarding any of the information in this letter, please call Ms. Melinda Grow at (916) 353-4443.

Sincerely,



Sean Sanderson
Rates Manager

cc:

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